FISCAL NOTE

Bill #:   HB0654   **Title:**   Clarify use of medical losses in calculation of experience modification factor

Primary Sponsor: Koopman, R   **Status:**   As Introduced

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Sponsor signature Date	David Ewer, Budget Director Date

Fiscal Summary

	FY 2006 **Difference**	FY 2007 **Difference**
Expenditures:		
General Fund	$0	$0
Revenue:		
General Fund	$0	$0
Net Impact on General Fund Balance:	$0	$0

☐   Significant Local Gov. Impact   ☐   Technical Concerns

☐   Included in the Executive Budget   ☐   Significant Long-Term Impacts

☐   Dedicated Revenue Form Attached   ☐   Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Montana State Fund

1. The proposed legislation excludes from the calculation of the employer's experience modification factor the amount of the deductible selected under the medical deductible plan.
2. Proposed legislation does not exclude reporting of all medical costs to rating advisory organization or the insurer to assess the true exposure for class rate purposes.
3. The assumption is the insurer pays the medical cost and obtains reimbursement from the employer for the deductible share.
4. The State Fund currently has seventeen policyholders representing approximately $1.2 million in premium enrolled in its medical deductible program.
5. The State Fund's medical deductibles range from $500, with seven 7 policies enrolled, to $2,500 with six policies enrolled.
6. This legislation will likely reduce the employer's experience modification factor, however, ultimate net savings will depend on the premium deductible credit factor developed by National Council on Compensation Insurance (NCCI) and the amount of losses paid under the deductible plan.
7. There will be a cost to the Montana State Fund to update computer systems to report for experience modification factors, only amounts in excess of the deductible amount, and to change the interface with the NCCI for reporting purposes and e-mod calculation. The extent of the required system changes and expense has not been determined.